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## Aalberts Industries' net profit up by 19%

**2007 was an exciting and positive year**

### Highlights 2007

- Increase in revenue by 18% to EUR 1.7 billion
- Organic revenue growth of 7% combined with consistent acquisition strategy
- Operating profit increased by 15% to EUR 193.3 million
- Net profit rose by 19% to EUR 128.0 million
- Earnings per share EUR 1.26, an increase of 16%
- Dividend increase of 14% to EUR 0.32 per ordinary share
- Further expansion of Aalberts Industries in strategic growth markets
- Integration activities within Flow Control France and United Kingdom

### Key figures (before amortisation)

in EUR x million

	2007	2006	Change
Revenue	1,702.5	1,440.3	18%
Operating profit (EBITA)	193.3	168.1	15%
Net profit	128.0	107.5	19%
Average number of ordinary shares	101.7	98.2	3%
Earnings per ordinary share* (x EUR 1)	1.26	1.09	16%
Dividend per ordinary share* (x EUR 1)	0.32	0.28	14%
Cash flow (net profit plus depreciation)	188.9	161.4	17%
Cash flow from operations	230.1	186.0	24%
Capital base as a % of total assets	38.2	31.9	
Net debt	525.0	533.0	(1%)
Interest cover	6.4	6.5	
Net debt / Total equity (gearing)	1.0	1.4	

\*Rounded after ordinary share split 4:1 (May 2007)

**Jan Aalberts, President & CEO:** "2007 was an exciting and positive year in which both our core activities achieved excellent results... Our revenue amounted to EUR 1.7 billion with an organic growth of 7%... The operating profit increased by 15% to just above EUR 193 million and net profit was EUR 128 million, an increase of 19% compared to 2006, which was itself a very good year."

### Aalberts Industries N.V.

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*Across the board, Industrial Services was able to benefit from favourable market developments and was awarded a number of attractive long-term contracts from which other group companies will derive benefits... We strengthened our market position by investing in the expansion of our innovative production technologies and refining processes... By continuing to invest in the further robotisation of our production methods, to facilitate the fully automated production of complex components, we have improved internal efficiency. A fact which is also applicable to Flow Control... Flow Control encountered somewhat more variable market conditions... The United Kingdom, the Benelux and Eastern Europe grew relatively well, whilst the markets in the United States and Germany experienced a slight slowdown... However, looking at the picture as a whole, Flow Control certainly had a good year; organic growth was good and augmented by a number of acquisitions... Thanks to our market positions and the spread of the results over various markets, products and services, we are well positioned for further profitable growth, both organic and via acquisitions... We can, therefore, confidently look forward to the future..."*

### **Implementation of the objectives**

- *Stable growth in earnings per share* – Compared to 2006, the earnings per share in 2007 rose by 16% to EUR 1.26 whereby, due to the issue of shares and stock dividend, the average number of outstanding shares rose by 3%;
- *Stable profitable revenue growth* – With a revenue growth of over EUR 262 million, the group is well positioned to achieve further profitable growth;
- *A balanced distribution of results* – In 2007, the distribution of the results was enlarged by, amongst other things, the organic growth in both core activities and the expansion of our geographical presence through both capital expenditure and acquisitions;
- *Leading market position* – Our leading market position was strengthened by the introduction of a number of supplementary production technologies, the introduction of new innovative refining processes and the expansion of the portfolio of plastic and metal products;
- *Sound balance sheet ratios* – The sound financial ratios improved in 2007. The capital base ended at 38.2% of the balance sheet total, with an interest cover of 6.4 and a gearing of 1.0.

### **Financial results** (before amortisation)

In 2007, a revenue of EUR 1.7 billion was realised, whereby Industrial Services and Flow Control contributed EUR 0.5 billion and EUR 1.2 billion, respectively. The increase in revenue was EUR 262.2 million, an increase of 18% relative to 2006. Organic revenue increased by 7%.

Compared to 2006, the operating profit (EBITA) increased by 15% to EUR 193.3 million; the EBITA margin was 11.4%, as opposed to 11.7% in 2006. Despite an increase in the EBITA margin within Industrial Services, the consolidated EBITA margin showed a slight decline as the Flow Control margin was slightly lower due to the integration activities in France and the United Kingdom, and the market conditions in the United States and Germany being less favourable than in 2006. As the relative weight of Flow Control within the total rose, the positive development within Industrial Services, where the EBITA margin went up from 11.1% to 11.5%, could not entirely compensate for this effect.

The net finance cost amounted to EUR 30.2 million, an increase relative to 2006 of EUR 4.2 million. This increase was attributable to the financing of a higher average working capital and the

acquisitions. At 2007 year end, the net debt amounted to EUR 525.0 million, a slight fall relative to 2006.

The changes to the principal financial ratios were as follows:

- Debt service ratio (net debt / EBITDA) from 2.4 to 2.1;
- Interest cover (EBITA / net finance cost) from 6.5 to 6.4;
- Gearing (net debt / total equity) from 1.4 to 1.0.

In comparison to the preceding year, the net profit before amortisation rose by 19% to EUR 128.0 million, resulting in earnings per share of EUR 1.26. The earnings per share in 2007 rose by 16% relative to 2006. In 2007, the return on invested capital was 16.3% as opposed to 16.5% in 2006.

In 2007, capital expenditure on tangible fixed assets increased to EUR 108.8 million (2006: EUR 77.3 million). The cash flow in 2007 (net profit plus depreciation) amounted to EUR 188.9 million, an increase of 17% relative to 2006. The cash flow from operations increased by 24% to EUR 230.1 million.

### Operational developments

#### Industrial Services

Industrial Services' revenue rose by 13% to EUR 506.0 million in 2007, and organic revenue showed a growth figure of 8%. Both the production of customer specific components and the refining activities showed sound organic development. The operating profit increased by EUR 8.4 million to EUR 58.3 million. In 2007, the EBITA margin went up to 11.5%, compared to 11.1% in 2006. Approximately EUR 52.5 was invested in 2007; this capital expenditure was primarily devoted to expanding production capacity.

In 2007, the development of the German market was favourable for the refining companies and the German service centres for surface and heat treatment were able to benefit from this. In 2007, a number of long-term customer contracts were won, consequently, investments are being made in the expansion of capacity in Germany.

In 2007, the heat and surface treatment activities in France developed well. Growth was generated in the various markets, of which the automobile, mechanical engineering, aerospace and electronics industries are the most important. In 2007, capital was invested in the expansion of the French capacity for lost wax precision casting in order to satisfy the growing demand from the medical sector. Metalis also invested in an expansion of its capacity, including a new location in Poland. At the start of 2007, Metalis acquired the French Garnier / GSA Group and integrated it within the group.

Following on 2006, 2007 was also a good year for the Dutch companies supplying complex customer specific components to a large number of international markets. Due to the diversity of international customers, markets and high-grade technologies, the group profited from predominantly favourable market developments. In 2007, the strategy of having a number of companies and technologies coordinate their approach to certain market segments was extended to include refining activities. By providing high-grade surface or heat treatment to customer's complex components, the customer

can obtain a more complete end product from one organisation. In 2007, the trend of investing in automated production was continued. On the one hand, this trend is being driven by the lack of high-quality professionals whilst, on the other, the aim is to produce more with the same level of personnel and machine capacity.

### **Flow Control**

Flow Control's revenue rose by 21% to EUR 1,196.5 million in 2007 and the organic revenue increased by 7%. In 2007, the operating profit was EUR 135.0 million and the EBITA margin 11.3%, as opposed to EUR 118.2 million and 11.9%, respectively, in 2006. Capital expenditure in 2007 amounted to approximately EUR 56.3 million. The most important investment projects were the French integration activities, the expansion of the capacity in Eastern Europe and the introduction of a number of new products and systems.

The decline in the demand for new homes in the United States, which started in the second half of 2006, continued in 2007. In contrast, the new commercial buildings sector had a relatively good year and the demand from industry was predominantly encouraging. In anticipation of this development, Elkhart Products took measures focusing on a more aggressive marketing approach and improved efficiency through automation. Given the market situation, this combination of actions resulted in 2007 proving a satisfactory year. To a certain extent LASCO Fittings were also able to absorb the reduced demand for new homes by expanding their position in the industrial and commercial buildings sector. In addition, LASCO Fittings managed to improve its export position.

At the beginning of 2007, the British activities were merged so that both new and existing customers could acquire the complete portfolio from one organisation. 2007 was a good year for the 'new' Pegler Yorkshire Group and, by introducing a number of innovative products and boosting sales efforts, it succeeded in expanding its market share in the United Kingdom. In addition, the export market was buoyant, resulting in a growth in sales to, amongst others, the Middle East. In 2007, the production facility in the Far East was completed, facilitating the production of components which were previously bought in and the undertaking of more labour intensive processes within our own organisation. To enhance efficiency, the activities in Scotland were transferred to England and Hungary.

On the whole, the Flow Control activities in Germany, focusing on the utility and building sector, were encouraging in 2007. However, it was a less successful year in relation to 2006, a particularly good year. The market for dispense systems was good, specifically in the area of safety valves for natural gas systems (automotive) and pressure regulating valves with for artificial respiratory products.

To a degree, in 2007 the French Flow Control activities were dominated by the planned integration following the acquisition of Comap; by merging the commercial, production and distribution activities the structure has been rationalised and the market position strengthened. The Spanish companies developed well in 2007. In the second half, the first effects of a slowdown in the building market were felt and actions taken to ensure market position was retained.

2007 was once again a year of strong organic growth for BROEN in Denmark. The high demand for district heating products persisted, in particular from Eastern Europe and the Far East. The KAN Group, acquired at the start of 2007, experienced strong organic growth in its principal markets in Poland, the Ukraine and Russia. In November 2007, the market position in Eastern Europe was strengthened by the acquisition of Hydro-Plast in Poland; Hydro-Plast's portfolio of selective plastic tube systems complements the existing Flow Control portfolio.

The Dutch VSH Group had a good year in 2007 as it had in 2006. As well as witnessing organic growth in the sales of its own products, its share in the sale of products and systems from affiliated companies is also growing annually. In May 2007, the new production facility for the automated production of steel press fittings was opened, enabling VSH to continue satisfying the rising demand for (stainless) steel fittings.

### **Human Resources**

At the end of 2007, there were 10,918 employees, in comparison to 9,370 at the end of 2006. The increase was largely attributable to the acquisitions and to increased production activities in Eastern Europe and the Far East. The latter increase primarily reflects a movement of labour intensive processes to production facilities in the Far East. In contrast the workforce declined as a result of the integration in France and the United Kingdom.

### **Outlook**

The organisation is well placed to maintain its consistent organic growth strategy, and its sound financial basis will enable it to pursue its current acquisition policy without amendment. Given Aalberts Industries' position in the various markets, the Management Board anticipates - barring unforeseen circumstances - achieving a further increase in the earnings per share.

### **Annexes:**

- Consolidated balance sheet
- Consolidated income statement
- Consolidated cash flow statement
- Key figures
- Changes in shareholders' equity
- Segment reporting
- Geographical spread of revenue
- Financial agenda 2008

## CONSOLIDATED BALANCE SHEET

before profit appropriation in EUR x million

31-12-2007

31-12-2006

### ASSETS

Goodwill	308.8	270.4
Other intangible assets	101.4	69.7
Property, plant and equipment	444.9	378.0
Deferred income tax assets	16.3	12.3
<b>Non-current assets</b>	<b>871.4</b>	<b>730.4</b>
Inventories	328.2	314.2
Trade receivables	205.4	213.2
Other current assets	29.4	21.0
Cash and cash equivalents	0.1	0.1
<b>Current assets</b>	<b>563.1</b>	<b>548.5</b>
<b>Total assets</b>	<b>1,434.5</b>	<b>1,278.9</b>

### EQUITY AND LIABILITIES

Shareholders' equity	530.4	383.6
Minority interests	7.8	3.9
<b>Total equity</b>	<b>538.2</b>	<b>387.5</b>
Non-current borrowings	350.8	334.3
Cumulative preference shares	10.2	20.4
Employee benefit plans	32.3	34.2
Deferred income tax liabilities	23.5	12.5
Other provisions	7.1	7.0
<b>Non-current liabilities</b>	<b>423.9</b>	<b>408.4</b>
Current borrowings	93.9	117.7
Current portion of non-current borrowings	70.1	60.6
Trade and other payables	190.3	189.9
Current income tax liabilities	20.3	14.4
Other current liabilities	97.8	100.4
<b>Current liabilities</b>	<b>472.4</b>	<b>483.0</b>
<b>Total equity and liabilities</b>	<b>1,434.5</b>	<b>1,278.9</b>

**CONSOLIDATED INCOME STATEMENT**

in EUR x million

2007

2006

	2007	2006
<b>Revenue</b>	<b>1,702.5</b>	<b>1,440.3</b>
Other income	4.6	4.7
<b>Total operating income</b>	<b>1,707.1</b>	<b>1,445.0</b>
Raw materials and work subcontracted	(723.8)	(565.7)
Personnel expenses	(442.9)	(397.4)
Depreciation of property, plant and equipment	(60.9)	(54.0)
Amortisation of intangible assets	(9.3)	(7.4)
Other operating expenses	(286.2)	(259.8)
<b>Total operating expenses</b>	<b>(1,523.1)</b>	<b>(1,284.3)</b>
<b>Operating profit</b>	<b>184.0</b>	<b>160.7</b>
Finance income	11.6	6.1
Finance expenses	(41.8)	(32.1)
<b>Net finance cost</b>	<b>(30.2)</b>	<b>(26.0)</b>
<b>Profit before tax</b>	<b>153.8</b>	<b>134.7</b>
Tax expenses	(33.8)	(33.7)
<b>Net profit</b>	<b>120.0</b>	<b>101.0</b>
<hr/>		
<b>Attributable to:</b>		
Ordinary shareholders	118.7	100.0
Minority interest	1.3	1.0
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<b>Net profit before amortisation</b>	<b>128.0</b>	<b>107.5</b>
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<b>Earnings per ordinary share before amortisation</b>		
Basic	1.26	1.09
Diluted	1.26	1.09

## CONSOLIDATED CASH FLOW STATEMENT

in EUR x million

### Cash flows from operating activities

	2007	2006
Operating profit	184.0	160.7
Adjustments for:		
Depreciation of property, plant and equipment	60.9	54.0
Amortisation of intangible assets	9.3	7.4
Result on sale of equipment	(0.6)	-
Changes in provisions and direct equity movements	(16.5)	0.8
Changes in inventories	(4.2)	(72.3)
Changes in trade and other receivables	13.9	(19.2)
Changes in trade and other payables	(16.7)	54.6
Changes in working capital	(7.0)	(36.9)

### Cash flow from operations

Finance income received	16.0	4.4
Finance expenses paid	(43.1)	(32.1)
Income taxes paid	(31.7)	(29.7)
<b>Net cash from operating activities</b>	<b>171.3</b>	<b>128.6</b>

### Cash flows from investing activities

Acquisition of subsidiaries	(107.1)	(124.3)
Capital expenditure	(105.7)	(75.8)
Purchases of intangible assets	(2.0)	(1.9)
Proceeds from sale of equipment	5.2	2.3
Investments in associated companies and other cash flows	-	1.1
<b>Net cash from investing activities</b>	<b>(209.6)</b>	<b>(198.6)</b>

### Cash flows from financing activities

Proceeds from issue of share capital	54.6	0.2
Proceeds from non-current borrowings	97.4	137.1
Repayment of non-current borrowings	(76.1)	(78.6)
Dividends paid	(12.6)	(12.1)
Minority interest and other cash flows	-	(5.9)
<b>Net cash from financing activities</b>	<b>63.3</b>	<b>40.7</b>

### Net increase/(decrease) in cash and current borrowings

	25.0	(29.3)
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Cash and current borrowings at beginning of period	(117.5)	(88.2)
Net increase/(decrease) in cash and current borrowings	25.0	(29.3)
Currency differences on cash and current borrowings	(1.2)	-
<b>Cash and current borrowings as at end of period</b>	<b>(93.7)</b>	<b>(117.5)</b>

**KEY FIGURES**

before amortisation

	2007	2006	2005	2004	2003
	IFRS				Dutch GAAP
<b>Result (in EUR x million)</b>					
Total operating income	1,707.1	1,445.0	1,064.6	903.7	775.1
Revenue	1,702.5	1,440.3	1,055.0	897.7	784.6
Operating profit (EBITA)	193.3	168.1	120.4	106.5	88.1
Net profit	128.0	107.5	83.1	70.8	53.7
Depreciation	60.9	54.0	46.7	40.4	41.7
Cash flow (net profit plus depreciation)	188.9	161.4	129.8	111.3	95.3
Cash flow from operations	230.1	186.0	176.7	124.8	144.1
<b>Balance sheet (in EUR x million)</b>					
Intangible fixed assets	410.2	340.1	288.6	228.6	201.7
Property, plant and equipment	444.9	378.0	321.6	269.9	226.5
Capital expenditure	108.8	77.3	64.5	40.3	32.5
Net working capital	285.7	265.8	181.5	179.7	146.7
Total equity	538.2	387.6	302.2	226.8	213.3
Capital base	548.4	408.0	332.8	267.7	228.5
Net debt	525.0	533.0	439.4	408.6	338.2
Total assets	1,434.5	1,278.9	978.0	823.7	699.2
<b>Number of staff at year-end</b>					
The Netherlands	1,563	1,517	1,437	1,478	1,407
Other countries	9,355	7,853	6,580	5,653	4,918
Total	10,918	9,370	8,017	7,131	6,325
<b>Ratios</b>					
Operating profit as a % of revenue	11.4	11.7	11.4	11.9	11.2
Interest cover	6.4	6.5	7.0	6.5	5.3
Net profit as a % of revenue	7.5	7.5	7.9	7.9	6.8
Capital base as a % of total assets	38.2	31.9	34.0	32.5	32.7
Net debt / Total equity	1.0	1.4	1.5	1.8	1.6
<b>Shares issued (x million)</b>					
Ordinary shares <sup>1</sup> (average)	101.7	98.2	97.6	96.9	95.0
Ordinary shares <sup>1</sup> (at year-end)	102.0	98.2	97.6	96.9	95.0
Cumulative preference shares	1.00	1.55	2.10	2.10	1.95
<b>Figures per ordinary share</b>					
Cash flow <sup>1</sup>	1.86	1.64	1.33	1.15	1.00
Net profit <sup>1</sup>	1.26	1.09	0.85	0.73	0.57
Dividend <sup>1</sup>	0.32	0.28	0.21	0.18	0.14
Share price at year-end <sup>1</sup>	13.60	16.38	11.21	8.93	5.13

<sup>1</sup>Rounded after ordinary share split 4:1 (May 2007)

**CHANGES IN SHAREHOLDERS' EQUITY**

in EUR x million

	2007	2006
<b>Balance as at the beginning of the period</b>	<b>383.6</b>	<b>298.5</b>
Net profit for ordinary shareholders	118.7	100.0
Dividend for ordinary shareholders	(12.6)	(12.1)
Issue of share capital	54.6	0.2
Exchange rate differences and other movements	(13.9)	(3.0)
<b>Total net effect</b>	<b>146.8</b>	<b>85.1</b>
<b>Balance as at the end of the period</b>	<b>530.4</b>	<b>383.6</b>

**SEGMENT REPORTING**

(before amortisation in EUR x million)

Industrial Services	2007	2006	Change
Revenue	506.0	449.5	13%
Operating profit (EBITA)	58.3	49.9	17%
Operating profit (EBITA) as a % of revenue	11.5	11.1	
Capital expenditure	52.5	33.1	59%
Depreciation	29.6	27.2	9%
Average number of employees (x1)	4,368	4,136	6%

**Flow Control**

Flow Control	2007	2006	Change
Revenue	1,196.5	990.8	21%
Operating profit (EBITA)	135.0	118.2	14%
Operating profit (EBITA) as a % of revenue	11.3	11.9	
Capital expenditure	56.3	44.2	27%
Depreciation	31.3	26.8	17%
Average number of employees (x1)	6,303	5,033	25%

**GEOGRAPHICAL SPREAD  
OF REVENUE**

	2007 in EUR million	2007 as a % of revenue	2006 in EUR million	2006 as a % of revenue
Germany	293.7	17	280.1	19
United Kingdom	270.2	16	240.1	17
Benelux	237.7	14	198.9	14
France	200.1	12	175.8	12
United States	194.5	12	153.0	11
Eastern Europe	153.3	9	102.6	7
Spain & Portugal	92.4	5	84.4	6
Scandinavia	89.1	5	65.4	4
Other European countries	90.7	5	79.8	6
Other countries outside Europe	80.8	5	60.3	4
<b>Total</b>	<b>1,702.5</b>	<b>100</b>	<b>1,440.3</b>	<b>100</b>

**FINANCIAL AGENDA 2008**

subject to change

23 April 2008	General Meeting of Shareholders in the Okura Hotel, Amsterdam (start: 14:00 hrs)
25 April 2008	Ex-dividend listing
25 April – 14 May 2008	Option period stock dividend or cash dividend
29 April 2008	Record date
15 May 2008	Fixation of stock dividend conversion ratio (after close of trading)
20 May 2008	Making payable of dividend and delivery of new ordinary shares
13 August 2008	Publication of interim figures 2008 (before start of trading)

\*The stock dividend will be determined based on the volume weighted average price of all Aalberts Industries N.V. shares traded on 9, 12, 13, 14 and 15 May 2008, in such a way that the value of the dividend in shares is substantially the same as the value of the cash dividend.